



Title: I, Payroll/Personnel Manual

Chapter:

Bulletin: Title I, 05-1, Delivery of the 2004 Internal Revenue Service (IRS) Form W-2, Wage and Tax Statement

Date: January 7, 2005

To: Holders of the Payroll/Personnel Manual
Personnel User Groups
Personnel Officers
Agency Personnel Offices
Fiscal Officers

In January 2005, the 2004 IRS Form W-2, Wage and Tax Statement, will be mailed to the employee's residence mailing address as recorded in the Payroll/Personnel System (PPS). The data on the W-2 includes salary payments for Pay Period 25, 2003 (or the pay period of implementation into the PPS), through Pay Period 24, 2004, inclusive. Employees who worked during this tax year for more than one organization serviced by the National Finance Center (NFC) will receive a W-2 containing the total wages paid by NFC for all organizations. The W-2 will be issued under the name of the current employing organization. (Consult NFC's Web site at www.nfc.usda.gov for a list of departments that are provided W-2's by NFC. Click **Pubs & Forms**, then click **Agency Codes** on the Quick Picks list located on the left-hand side of the page.)

Note: Agencies are encouraged to remind their employees to verify that their residence addresses are correct and make any changes prior to the mailing of the W-2's. The addresses can be updated through the Self Service Option of Employee Personal Page (EPP).

Attachment 1 to this bulletin contains a list of the boxes on the W-2 with the definition of each box. Attachment 2 provides a sample of the 2004 W-2 and the insert that will be included with the employee's W-2. The insert contains descriptions of certain boxes as required by IRS.

Employee Indebtedness

To comply with IRS regulations, employees who have not repaid an indebtedness (e.g., salary overpayment) incurred during Calendar Year 2004 will have the outstanding debt included as taxable wages on their W-2's. The outstanding debt is subject to Federal income tax. Any payments which were made toward a debt between December 13, 2004, and December 31, 2004, could have resulted in a corrected W-2 being issued at a later date.

Electronically Delivered Version of the W-2

The IRS will allow employees the option to file their tax return with a printout of an electronically delivered version of their W-2 for Tax Year 2004. Employees who are established users of NFC's EPP can print this electronic version of the W-2 for Tax Year 2004 (via NFC's Web site at www.nfc.usda.gov) for submission with their tax return. The 2004 W-2's will be available on the EPP in January 2005.

Note: Employees who have not yet requested a password for accessing their EPP can find instructions on NFC's home page by clicking the **My EPP** icon on the Application Launchpad. Once an employee requests access to their EPP, W-2 history data is available on their EPP (Tax Years 1998 forward).

In addition to printing their W-2 from the EPP, employees will also be able to import their 2004 W-2 information into TurboTax. NFC has worked with the software provider to make their product interoperable with the EPP. Changes to the software are expected to be in place by the end of January 2005.

Maintaining W-2 Data

Although W-2 history data for Tax Years 1998 forward is available to the employee on their EPP, only 2 years of W-2 data is available in the WTWO System (WTWO Block Mode Format) and the W-2 System (W2WIN). The W-2 data for Tax Year 2002 will be moved to history in early November 2004 and will no longer be available to be viewed by agencies. In mid-January 2005, agencies will be able to view W-2 data for Tax Years 2003 and 2004.

WTWO Procedures

The WTWO Block Mode Format and W2WIN procedures, which are available online at NFC's Web site, will be updated in early January to include the 2004 W-2 information. The Latest Update Information section at the beginning of the procedure will provide a summary of the update. To view and/or print this procedure, go to NFC's home page (www.nfc.usda.gov) and click the **Pubs & Forms** icon. At the Pubs & Forms page left-hand menu, click **List by Title/Chapter** and search for the WTWO or W2WIN procedure on the list provided. If you are unable to print from the Web, you can request a printed copy by submitting Form AD-1083, Request for Action for Procedures/Reports, to the address or fax number printed on the form.

Inquiries

If some employees do not receive W-2's when they are initially mailed, it may have been determined that these W-2's required adjustments (e.g., relocation travel payments). The appropriate adjustments will be completed by January 31, 2005, and the W-2's will be sent to the employees at that time. Initial inquiries should be made through the employee's

EPP. After February 5, 2005, authorized agency personnel may submit inquiries on Form AD-354, Request for Information, (preferably by direct entry into the Document Tracking System) to make inquiries for employees who have not received W-2's.

For questions about policy/regulations, contact your Agriculture Payroll/Personnel User Group (AGPUG) representative or Committee for Agriculture Payroll/Personnel System (CAPPS) representative.



MARK J. HAZUDA, Director
Government Employees Services Division

Attachments

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Description of the 2004 Form W-2, Wage and Tax Statement

The 2004 Form W-2 is printed as a single sheet that can be separated at the perforation to facilitate the filing of Federal, state, and local tax returns. Below is a list that corresponds to the boxes on the W-2 with a description of each box.

Note: The box numbers on the W-2 are not in sequential order. The items described below correspond to the boxes on the W-2.

Employer's Name, Address, And ZIP Code. The employer's address:

Organization Name
c/o USDA, National Finance Center
P.O. Box 60000
New Orleans, LA 70160

Employee's Name, Address, And ZIP Code. The employee's name and residence address.

Employer's ID. The employer's Identification Number 72-0564834.

Employee's SSN. The employee's 9-digit social security number.

1. Wages, Tips, Other Compensation. The amount of wages, tips, and other compensation. Travel advance is not included in this box. The amount shown should be entered on the appropriate line of the employee's Federal tax return.

2. Federal Income Tax Withheld. The amount of Federal income tax withheld. The amount shown should be entered on the appropriate line of the employee's Federal tax return.

3. Social Security Wages. The wage amount subject to social security tax.

4. Social Security Tax Withheld. The amount of social security tax withheld.

5. Medicare Wages And Tips. The wage and tips amount subject to Medicare tax.

6. Medicare Tax Withheld. The amount of Medicare tax withheld.

8. Allocated Tips. The amount of tips allocated to the employee by the employing organization.

9. Advance EIC Payment. The amount of Earned Income Credit (EIC) payments made to the employee.

10. Dependent Care Benefits. The amount of Flexfund dependent care expense deductions.

12C. Taxable Life Insurance. The amount of taxable group-term life insurance.

12D. 401K TSP. The amount of Thrift Savings Plan (TSP) deductions, non-Federal 401(k) deductions, and Federal and non-Federal TSP catch-up deductions.

12E. 403B TIAA. The amount of elective deferrals under a section 403(b) salary reduction agreement.

12P. Moving Allowance NT. The 2004 moving allowance amount not taxed.

13. Statutory Employee, Retirement Plan, Third Party Sick Pay. Listed below are descriptions for each checkbox:

- **Statutory Employee.** This checkbox identifies statutory employees whose earnings are subject to social security and Medicare taxes but not subject to Federal income tax withholding. For more information on statutory employees, see IRS Publication 15-A.
- **Retirement Plan.** This checkbox identifies employees who were active participants (for any part of the year) in certain retirement plans. For more information on retirement plans, see IRS Notice 87-16, 1987-1 C.B. 446, IRS Notice 98-49, 1998-2 C.B. 365, section 219(g)(5), and IRS Publication 590.
- **Third Party Sick Pay.** This checkbox identifies third party sick pay employees. For more information on third party sick pay, see IRS Publication 15-A.

14A. Moving Allowance Taxed. The 2004 moving allowance amount that was taxed.

14B. NT Health Benefits. The amount of nontaxable health insurance and/or amount of Flexfund health care expense deductions.

14C. COLA. The amount of cost-of-living allowance (COLA).

15. State/Employer's State ID #. The taxing state name and ID number.

16. State Wages, Tips, Etc. The amount of wages from which state taxes have been withheld.

17. State Income Tax. The amount of state income tax withheld.

18. Local Wages, Tips, Etc. Reserved for future use.

19. Local Income Tax. The amount of city and/or county tax(es) withheld.

20. Locality Name/Locality ID #. The taxing city and/or county name and ID number(s).

Sample of the 2004 W-2

EMPLOYER'S NAME, ADDRESS, AND ZIP CODE

EMPLOYEE'S NAME, ADDRESS, AND ZIP CODE

EMPLOYER'S ID 72-0564834

EMPLOYEE'S SSN

8 Allocated tips \$	9 Advance EIC payment \$	10 Dependent care benefits \$	12C Taxable life insurance \$	12D 401K TSP \$	12E 403B TIAA \$
12P Moving allowance NT \$	13 <input type="checkbox"/> Statutory <input type="checkbox"/> Retirement <input type="checkbox"/> Third Party Employee Plan Sick Pay	14A Moving allowance taxed \$	14B NT Health benefits \$	14C COLA \$	
15 State/Employer's State ID# \$	16 State wages, tips, etc. \$	17 State income tax \$	18 Local wages, tips, etc. \$	19 Local income tax \$	20 Locality name/Locality ID#

Department of the Treasury-Internal Revenue Service
FORM W-2 Wage and Tax Statement 2004Copy B - To be filed with employee's
FEDERAL tax return

OMB No. 1545-0008

EMPLOYER'S NAME, ADDRESS, AND ZIP CODE

EMPLOYEE'S NAME, ADDRESS, AND ZIP CODE

EMPLOYER'S ID 72-0564834

EMPLOYEE'S SSN

8 Allocated tips \$	9 Advance EIC payment \$	10 Dependent care benefits \$	12C Taxable life insurance \$	12D 401K TSP \$	12E 403B TIAA \$
12P Moving allowance NT \$	13 <input type="checkbox"/> Statutory <input type="checkbox"/> Retirement <input type="checkbox"/> Third Party Employee Plan Sick Pay	14A Moving allowance taxed \$	14B NT Health benefits \$	14C COLA \$	
15 State/Employer's State ID# \$	16 State wages, tips, etc. \$	17 State income tax \$	18 Local wages, tips, etc. \$	19 Local income tax \$	20 Locality name/Locality ID#

Department of the Treasury-Internal Revenue Service
FORM W-2 Wage and Tax Statement 2004Copy C - For employee's records
See insert for important information

OMB No. 1545-0008

EMPLOYER'S NAME, ADDRESS, AND ZIP CODE

EMPLOYEE'S NAME, ADDRESS, AND ZIP CODE

EMPLOYER'S ID 72-0564834

EMPLOYEE'S SSN

8 Allocated tips \$	9 Advance EIC payment \$	10 Dependent care benefits \$	12C Taxable life insurance \$	12D 401K TSP \$	12E 403B TIAA \$
12P Moving allowance NT \$	13 <input type="checkbox"/> Statutory <input type="checkbox"/> Retirement <input type="checkbox"/> Third Party Employee Plan Sick Pay	14A Moving allowance taxed \$	14B NT Health benefits \$	14C COLA \$	
15 State/Employer's State ID# \$	16 State wages, tips, etc. \$	17 State income tax \$	18 Local wages, tips, etc. \$	19 Local income tax \$	20 Locality name/Locality ID#

Department of the Treasury-Internal Revenue Service
FORM W-2 Wage and Tax Statement 2004Copy 2 - To be filed with employee's
state or local tax return

OMB No. 1545-0008

EMPLOYER'S NAME, ADDRESS, AND ZIP CODE

EMPLOYEE'S NAME, ADDRESS, AND ZIP CODE

EMPLOYER'S ID 72-0564834

EMPLOYEE'S SSN

8 Allocated tips \$	9 Advance EIC payment \$	10 Dependent care benefits \$	12C Taxable life insurance \$	12D 401K TSP \$	12E 403B TIAA \$
12P Moving allowance NT \$	13 <input type="checkbox"/> Statutory <input type="checkbox"/> Retirement <input type="checkbox"/> Third Party Employee Plan Sick Pay	14A Moving allowance taxed \$	14B NT Health benefits \$	14C COLA \$	
15 State/Employer's State ID# \$	16 State wages, tips, etc. \$	17 State income tax \$	18 Local wages, tips, etc. \$	19 Local income tax \$	20 Locality name/Locality ID#

Department of the Treasury-Internal Revenue Service
FORM W-2 Wage and Tax Statement 2004Copy 2 - To be filed with employee's
state or local tax return

OMB No. 1545-0008

NOTICE TO EMPLOYEE

Refund. Even if you do not have to file a tax return, you should file to get a refund if box 2 shows Federal income tax withheld or if you can take the earned income credit.

Earned income credit (EIC). You must file a tax return if any amount is shown in box 9.

You may be able to take the EIC for 2004 if: **(a)** you do not have a qualifying child and you earned less than \$11,490 (\$12,490 if married filing jointly), **(b)** you have one qualifying child and you earned less than \$30,338 (\$31,338 if married filing jointly), or **(c)** you have more than one qualifying child and you earned less than \$34,458 (\$35,458 if married filing jointly). You and any qualifying children must have valid social security numbers (SSNs). You cannot take the EIC if your investment income is more than \$2,650. **Any EIC that is more than your tax liability is refunded to you, but only if you file a tax return.** If you have at least one qualifying child, you may get as much as \$1,563 of the EIC in advance by completing **Form W-5**, Earned Income Credit Advance Payment Certificate, and giving it to your employer.

Corrections. If your name, SSN, or address is incorrect, correct Copies B, C, and 2 and ask your employer to correct your employment record. Be sure to ask the employer to file **Form W-2c**, Corrected Wage and Tax Statement, with the Social Security Administration (SSA) to correct any name, SSN, or money amount error reported to the SSA on Form W-2. If your name and SSN are correct but are not the same as shown on your social security card, you should ask for a new card at any SSA office or call 1-800-772-1213.

Credit for excess taxes. If you had more than one employer in 2004 and more than \$5,449.80 in social security and/or Tier 1 railroad retirement (RRTA) taxes were withheld, you may be able to claim a credit for the excess against your Federal income tax. If you had more than one railroad employer and more than \$3,189.90 in Tier 2 RRTA tax was withheld, you also may be able to claim a credit. See your Form 1040 or 1040A instructions and **Pub. 505**, Tax Withholding and Estimated Tax.

Instructions.

- Box 1.** Enter this amount on the wages line of your tax return.
- Box 2.** Enter this amount on the Federal income tax withheld line of your tax return.
- Box 8.** This amount is **not** included in boxes 1, 3, or 5. For information on how to report tips on your tax return, see your Form 1040 instructions.
- Box 9.** Enter this amount on the advance earned income credit payments line of your Form 1040 or 1040A.
- Box 10.** This amount is the total dependent care benefits that your employer paid to you or

incurred on your behalf (including amounts from a section 125 (cafeteria) plan). Any amount over \$5,000 also is included in box 1. You **must** complete **Schedule 2**

(Form 1040A) or **Form 2441**, Child and Dependent Care Expenses, to compute any taxable and nontaxable amounts.

- Box 12.** The following list explains the codes shown in box 12. You may need this information to complete your tax return. Elective deferrals (codes D, E, F, G, H, and S) under all plans are generally limited to \$13,000 (\$16,000 for section 403(b) plans if you qualify for the 15-year rule explained in Pub.571). However, if you were at least age 50 in 2004, your employer may have allowed an additional deferral of up to \$3,000 (\$1,500 for section 401(k)(11) and 408(p) SIMPLE plans). This additional deferral amount is not subject to the overall limit on elective deferrals. For code G, the limit on elective deferrals may be higher for the last three years before you reach retirement age. Contact your plan administrator for more information. Amounts in excess of the overall elective deferral limit must be included in income. See the "Wages, Salaries, Tips, etc." line instructions for Form 1040.

- Box 12 C.** Taxable cost of group-term life insurance over \$50,000 (included in boxes 1, 3 (up to social security wage base), and 5).
- Box 12 D.** Elective deferrals to a section 401(k) cash or deferred arrangement. Also includes deferrals under a SIMPLE retirement account that is part of a section 401(k) arrangement.
- Box 12 E.** Elective deferrals under a section 403(b) salary reduction agreement
- Box 12 P.** Excludable moving expense reimbursements paid directly to employee (not included in boxes 1, 3, or 5)
- Box 13.** If the "Retirement plan" box is checked, special limits may apply to the amount of traditional IRA contributions you may deduct.

Note: *Keep Copy C of Form W-2 for at least 3 years after the due date for filing your income tax return. However, to help protect your social security benefits, keep Copy C until you begin receiving social security benefits, just in case there is a question about your work record and/or earnings in a particular year. Review the information shown on your annual (for workers over 25) Social Security Statement.*